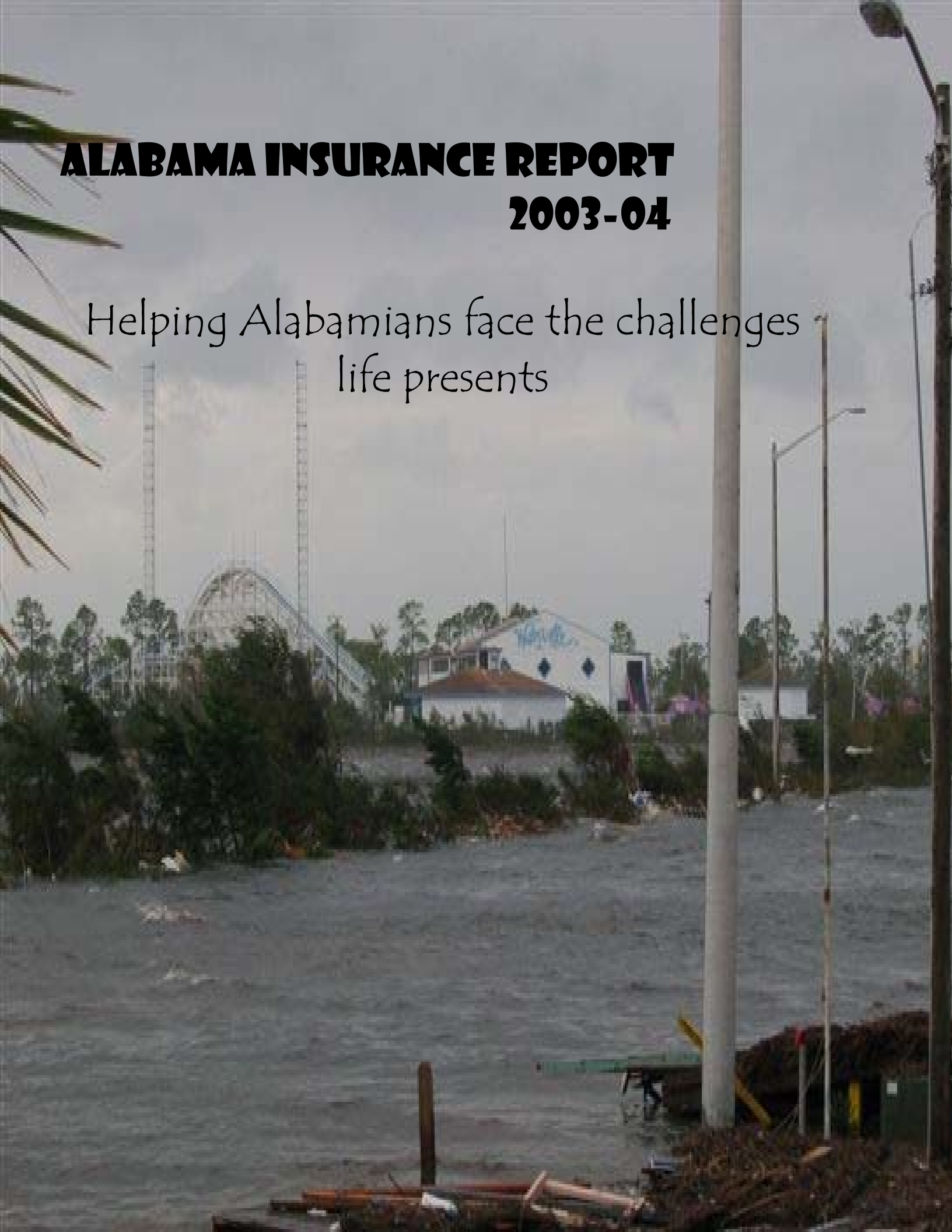


# **ALABAMA INSURANCE REPORT**

## **2003-04**

Helping Alabamians face the challenges  
life presents



*The Honorable*

*Bob Riley*

## Alabama's 52nd Governor



Governor Bob Riley was sworn into office as Alabama's 52nd chief executive on January 20, 2003, after representing the state for six years in the United States Congress.

Governor Riley comes into office during troubling financial times within the state's education, correction, and transportation systems, along with several other agencies. He has pledged a host of reforms from constitutional to budgetary, to reshape Alabama's government into a model of efficiency and competency.

"Alabama's government was established serve the citizens, not the system," says Governor Riley. "I believe that our nation's first responsibility is to defend its people, a state's first responsibility is to educate its young."

Governor Riley has appointed successful and proven leaders to head the various state agencies needing urgent attention, and has recruited a world-class staff to help implement his many proposals for change.

Governor Riley was born and raised in the small Clay County town of Ashland, where his family has lived on ranches and farms for six generations.

After graduating from the University of Alabama at the age of 20 with a degree in business administration, he returned to his hometown, married his high school sweetheart and started a small business

with his brother selling eggs door-to-door. That small, family-owned venture grew to become one of the largest integrated poultry operations in the Southeast.

For 32 years, Governor Riley ran a number of successful businesses, including a trucking company, a real estate company, a car dealership, a grocery store, and a small pharmacy. A cattleman for the last 25 years, he has more than 400 head of cattle on his Ashland ranch.

In 1996, when Alabama needed leaders to fundamentally change the course of government in Washington, Bob Riley, a political unknown, answered the call and kept his pledge to serve only three terms.

Governor Riley has been very active serving his community as both a Shriner and a Mason. He and his family are members of the First Baptist Church of Ashland, where he taught the men's Sunday school class for a number of years and also served as Chairman of the Church's Board of Trustees.

Governor Riley is married to the former Patsy Adams, also from Clay County. The Rileys were blessed with four children, Rob, Jenice, Minda and Krisalyn. Jenice, the Riley's first daughter and the campaign's first fund-raiser, passed away in August 2001 after inspiring people through her courageous fight against cancer. The Rileys are also the proud grandparents of two granddaughters and one grandson.



**BOB RILEY**  
GOVERNOR

**STATE OF ALABAMA**  
**DEPARTMENT OF INSURANCE**  
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**WALTER A. BELL**  
**COMMISSIONER**  
ASSISTANT COMMISSIONER  
RAGAN INGRAM  
DEPUTY COMMISSIONERS  
D. DAVID PARSONS  
JAMES R. (JOHNNY) JOHNSON  
CHIEF EXAMINER  
RICHARD L. FORD  
ACTING STATE FIRE MARSHAL  
RICHARD MONTGOMERY  
GENERAL COUNSEL  
MICHAEL A. BOWNES  
RECEIVER  
DENISE B. AZAR  
LICENSING MANAGER  
JIMMY W. GUNN

**September 30, 2004**

The Honorable Bob Riley  
Governor  
State of Alabama  
State Capitol  
Montgomery, Alabama 36130

**RE: 2004 Annual Report**

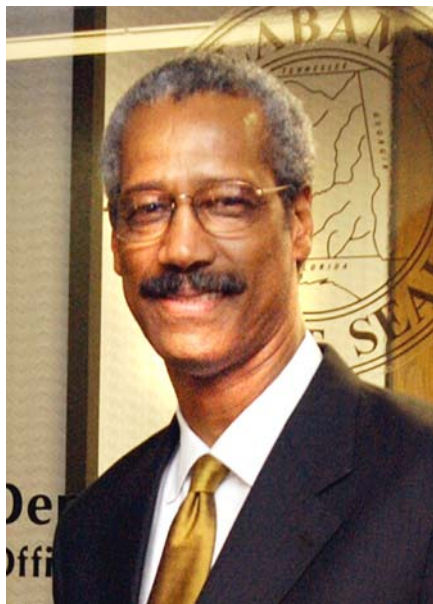
Dear Governor Riley:

In compliance with the provisions of § 27-2-9, Code of Alabama 1975, I have the honor to transmit herewith the annual report of the Alabama Department of Insurance covering the period of October 1, 2003, to September 30, 2004. The statistical data used in the financial section of this report comes directly from the annual statements filed by the various companies, without audit or verification.

Respectfully submitted,

**Walter A. Bell**  
Commissioner

WAB:gri:df



## Alabama Commissioners of Insurance

(In the last 50 years)

Walter A. Bell	2003-present
D. David Parsons	1999-2003
Richard H. Cater	1998-99
Michael DeBellis	1995-1998
James H. Dill	1993-95
Mike Weaver	1988-1993
John S. Greeno	1987-1988
James M. Dunn	1987
Nelson Burnett	1987
Michael DeBellis	1986-87
Tharpe Forrester	1984-85
Joe R. Holt	1984
W. G. Ward, Jr.	1983-84
Tharpe Forrester	1980-83
H. H. Sumrall, Jr.	1979-80
Albert J. Winfield	1979
Charles H. Payne	1975-79
John G. Bookout	1971-75
R. Frank Ussery	1969-70
Walter S. Housel	1963-67
William D. Page	1961
Edmon L. Rinehart	1959-61
James H. Horn	1956-57
Leslie L. Gwaltney, Jr.	1955
H. A. Longshore	1954

## Walter A. Bell Commissioner

The way Walter Bell sees it, change is going to occur. Sometimes, the change is good; other times, it is not. Either way, you better have a plan to deal with it.

That's been the hallmark as Bell's tenure as Commissioner of the Alabama Department of Insurance – the job he's held since January 2003.

"It is a lot better to anticipate change and build a plan to manage it, rather than ignore it and ultimately be overwhelmed," he said.

Near the end of his second year in office, Commissioner Bell has guided the Department through some challenging days. During his first year in office, the Department formed the Commissioner's Task Force on Health Issues.

The crowning achievement of the Task Force's work was the implementation of a 60-day open enrollment period by Blue Cross and Blue Shield of Alabama with a health insurance plan for the uninsured. Commissioner Bell and the Task Force worked to convince Blue Cross and Blue Shield that such a plan would work.

It was a smashing success as more than 25,000 Alabamians came off the rolls of the uninsured.

"It was everything I hoped it would be and more," Commissioner Bell said.

"Once the announcement was made, our phones rang off the hook, and our emails piled up. We couldn't have been happier at the volume of inquiries.

"We hope to help create an atmosphere where more companies will be willing to do similar things to help the uninsured in Alabama."

The latest challenge for the Department has been the aftermath of Hurricane Ivan. After the Department went through false alarms with Bonnie, Charley and Frances, the real thing arrived September 16 with Ivan.

The Department's Disaster Response Plan had been implemented prior to Ivan's arrival near Gulf Shores. More than 3,000 Insurance Disaster Access Passes had been issued to companies for their adjusters. Deputy Fire Marshals responded by inspecting homes, multi-family dwellings, schools and commercial properties to ensure citizens' safety.

In the weeks after Ivan, Department personnel have staffed all of the Federal Emergency Management Agency Disaster

(continued on page 5)

## The Bell Record

- Pushed program that led to 25,000 Alabamians without health insurance enrolling in new Blue Cross product
- Led national effort to adopt Interstate Compact, which will help preserve state-based regulation.
- Launched document imaging program to reduce administrative and personnel costs.
- Department staffed all 15 Disaster Assistance Centers in aftermath of Hurricane Ivan.
- Department set record for participation and money raised for State Combined Campaign
- Serves on several National Association of Insurance Commissioners committees, helping build the foundation for insurance regulation of the future.
- Continued expansion of licensing technologies that will save money for the taxpayers and improve Departmental efficiencies.
- Department crafted first-ever pre-need regulation to accompany the Pre-Need Act of 2002, to license pre-need providers.

### (continued from page 5)

Assistance Centers to handle inquiries and complaints from citizens.

"It is in times like these that people need us," Commissioner Bell said. "They need us right there at the site, and we've been there."

In the past year, the Department has also worked to fulfill another of Commissioner Bell's goals – to become as paperless as possible.

A document imaging program has led to hundreds of thousands of pieces of paper being converted to digital images.

"This is a long, long project," Commissioner Bell said, "but it will save the people money in reduced paper costs, reduced personnel costs and reduced storage costs. I am pleased with where it is heading."

Another highlight for the year was the Department's response in the State Combined Campaign. For the first time ever, 100 percent of the Department employees participated in the Campaign, raising a total of \$7,831.50 – 340 percent of its goal.

"Our team helps people every day when people call in with problems," Commissioner Bell said. "And I am proud of them for their work. But I was especially proud when they gave of their means to

help others – many of whom will never be able to say thanks."

Commissioner Bell has been a leader in insurance regulation on a national level by serving on a variety of committees with the National Association of Insurance Commissioners.

His major contribution has been as chair of the Speed-to-Market Task Force, which is the linchpin of the NAIC's plan to preserve state-based regulation.

Commissioner Bell brings a wealth of experience to his position.

In 1979, he started his financial services career as a branch manager for First National Bank in Mobile, which is now AmSouth Bank.

After four years as a banker, Commissioner Bell became a financial professional with The MONY Group, advising clients on issues of insurance and financial planning.

Over the next 14 years, he developed a successful business and earned recognition nationally for his achievements. In 1996,

The MONY Group gave him added responsibilities by naming him its National Director of Emerging Markets.

He continued his work in Mobile as a financial planner as well as handling his corporate duties.

In 1999, The MONY Group

named Commissioner Bell its Vice President for Diversity Marketing thereby expanding his role in the company as a force for market and workforce development.

Community involvement has been a hallmark of Commissioner Bell's career.

A graduate of Spring Hill College in Mobile, Commissioner Bell now serves on the college's Board of Trustees.

He also serves on the volunteer boards of the Boys and Girls Clubs of America and the Mobile Arts & Sports Association.

His past presidencies include the boards of the Boys and Girls Club of Mobile, the United Way of Southwest Alabama, Mobile United, the Industrial Development Board of Mobile, the Alabama School of Math and Science.

Commissioner Bell is also a member of the board of directors of EnergySouth, Inc., which is the holding company for Mobile Gas. He is also Vice Chairman and a Director of Gulf Federal Bank.

He is also a limited partner of the Mobile BayBears, the city's Southern League baseball team.

Commissioner Bell is married to the former Loresa Carleton. They have two grown children.

The Bells are members of the Big Zion AME Zion Church in Mobile.

## Legislative Report

### ALDOI passes annuity legislation; has strong '05 agenda

The 2004 regular session of the Alabama Legislature was dedicated primarily toward governmental accountability issues, preventing a large number of bills from becoming law.

It didn't stop the Alabama Department of Insurance from passing one bill on its agenda — legislation that will allow citizens the opportunity to purchase deferred

annuities again. Because Alabama law required a guaranteed interest above the market rate, companies quit selling the products.

The Legislature followed the recommendation of the Department and put the minimum interest rate on a sliding scale that will allow companies to offer the product and will allow consumers

the choice of that type of product.

Also, the Department faced review of the Sunset Committee and improved its standing dramatically. The state's agencies are reviewed and actually can be abolished by the Legislature. Because of problems that date back more than 10 years ago, the Department was placed on  
(Continued on Page 12)

### About this Report ...

The Alabama Insurance Report is published annually to chronicle the highlights and activities of the Alabama Department of Insurance for the previous fiscal year.

The report is edited by Assistant Commissioner Ragan Ingram and Financial Analyst Sean Duke.

The cover photo of water rushing up Alabama 59 in Gulf Shores, approximately one mile from the beach. The rollercoaster at Waterville USA looms in the background.

The photograph was taken by Deputy State Fire Marshal Jeff Thompson, one a team of Fire Marshal deputies who were sent



to Baldwin County in advance of Hurricane Ivan.

For further information regarding this report or the Alabama

Department of Insurance, you may contact Ragan Ingram at 241-4146 or email him at [ringram@insurance.al.us](mailto:ringram@insurance.al.us).

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**Property and Casualty Division**

# Ivan The Terrible

**While this surf is much heavier than usual, it was nothing compared to the storm surge that pushed water one mile inland at Gulf Shores**

Bonnie, Charley and Frances teased us, but Ivan lived up to its billing on September 16.

He came ashore at Gulf Shores in the early morning hours and cut a wide swath through the state.

By the end of that Thursday, dozens of counties would be affected — eventually leading to the creation of 15 Disaster Assistance Centers.

The Alabama Department of Insurance, though, was prepared. It implemented its Disaster Response Plan and has operated seven days per week since.

Alabama State Fire Marshals were in the area as Ivan landed and helped coordinate efforts on the ground to inspect buildings.

As Ivan pushed through Montgomery, members of the staff fielded calls from concerned citizens about their situations.



Special access passes for adjusters were issued prior to Ivan's arrival, but hundreds more were issued after the fact as companies sent reinforcements to aid in

the adjusting of claims throughout the state.

Like the palm trees in the photo, the Department stood firm in a time of a storm.

**Property and Casualty Division — Hurricane Ivan Report**

**Homes all across the state found themselves dealing with heavy amounts of debris courtesy of Hurricane Ivan. This Baldwin County home had an extra helping of debris.**

**Claims information**

As of September 30, approximately 155,000 claims have been filed with insurers. Of that number, about 70,000 had been adjusted and 32,000 had been closed.

**Adjusters were pre-credentialed**

The Department, as a part of its Insurance Disaster Response Plans, issues Disaster Access passes to insurance companies for adjusters in case of events such as Hurricane Ivan. More than 1,000 passes were issued at the first of the year. As of September 30, companies and independent adjusters have been issued 2,697 passes.

In the days prior to Ivan, the Department worked with the major carriers (State Farm, Alfa and Allstate comprise just more than 60 percent of the homeowners' market) to review action plans once the skies had cleared. As a result Allstate had 250 adjusters stationed in Tallahassee, Fla., and Baton Rouge, La., while State Farm used Jacksonville, Fla., as a staging ground for 200 of its adjusters. Alfa, as a domestic company, had its adjusters located throughout the state.

Within three days, claims were being adjusted in the hardest hit areas of Baldwin, Mobile and Escambia counties.

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**Property & Casualty Division — Hurricane Ivan Report**

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**Grace period for consumers**

On Wednesday, insurance companies were directed to provide consumers affected by Hurricane Ivan a 60-day grace period on non-payment of premiums. This grace period parallels what Florida has done in relation to its affected citizens.

Because some citizens had their mail service disrupted, and others were financially affected in a major way, this step was taken.

Many of the companies were implement similar plans of their own, but this creates uniformity for all the affected citizens.

The directive does not apply to policies sold on or after September 16.

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**Damage Reports**

There have been estimates offered regarding Ivan with some projecting that Ivan was a \$10 billion hurricane — with that number applying to Florida and other states. The most current estimate regarding Alabama damages came from AIR, which estimates Ivan caused \$3.6 billion in non-flood related damage in the state.

---

**Beach Pool outlook improved**

The Alabama Insurance Underwriting Association now estimates its losses at \$26 million — even though two thirds of its insureds will have claims. Initial damage projections were much higher than this.

The Beach Pool, as the AIUA is commonly known, has \$10 million cash on hand, with some of that money allocated for prior claims. The Beach Pool expects to have a \$20 million assessment of member companies to cover Ivan-related losses.

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**Consumer access to ALDOI**

The Department has been operating daily since the onset of Hurricane Ivan. Consumer representatives have been stationed at all of the Disaster Assistance Centers to receive complaints and answer questions.

Staff members have been assigned to Gulf Shores, Foley, Robertsedale, Loxley, Mobile, Brewton, Atmore, Saraland, Coden, Brewton, Geneva, Grove Hill, Luverne, Evergreen and Chatom. In previous disasters, no more than five DACs have been in operation at one time.

Staff members from other divisions have pitched in to help staff the DACs as well as the Property & Casualty Division office. As the DACs have been operational from 8 a.m. until 7 p.m., support personnel have staffed the Department headquarters for corresponding hours. As of this report, an overwhelming majority of the contacts have been informational in nature, rather than the filing of complaints against companies and agents.

**Property & Casualty Division — Hurricane Ivan Report****Scenes from Hurricane Ivan ...**

On the morning after Ivan, Deputy State Fire Marshal Jeff Thompson captured these photographs of Ivan's destruction. In the top photo, flood waters stop short of the King Neptune Restaurant, which is one mile inland in Gulf Shores on Alabama Highway 59 — the main North-South road to the beach.



**Life and Health Division**

## Open enrollment plan insures 25,000 Alabamians

More than 25,000 previously uninsured Alabamians have health insurance under an open enrollment program offered by Blue Cross and Blue Shield of Alabama.

Last November and December, Blue Cross and Blue Shield responded to the request of Commissioner Walter A. Bell as a way to help cut into the number of uninsured in the state.

"I am overjoyed at the success of this program," Commissioner Bell said. "I am not really surprised at the success. I knew if Alabamians had a place to turn that they would respond.

"I can tell you that our office phones have rang off the hook, our fax machines burned up paper and our email boxes overflowed once the program was announced."

Commissioner Bell said he would encourage Blue Cross and Blue Shield to offer the program again. He also said he would ask other insurers to contemplate a similar program.

"I think it has been highly popular with the people of Alabama," he said. "I hope it proves to be successful for Blue Cross and Blue Shield. I appreciate their willingness to give this program a chance. You can expect that I will be asking Blue Cross and Blue Shield to offer this program again."

The program emerged from the work of the Commissioner's Health Issues Task Force, of which Blue Cross and Blue Shield is a member.

"We've talked about a lot of issues – nursing homes, liability issues for medical professionals and lifestyle choices by citizens – but no issue affects more people than the accessibility and availability of health insurance," Commissioner Bell said. "That's why this program has been a home run."

Commissioner Bell also served on the Governor's Task Force on Health Issues, which took a close look at the benefit programs offered to state employees and education employees.

"The problems are the same wherever you go," he said. "Employers and employees are fighting the same issues – in the public sector and the private sector."

Another accomplishment for the Department in the Health sector was the establishment of an approved program under the Federal Health Care Tax



Credit program, which is geared to those who lost jobs overseas. When legislation stalled at the State House to make the necessary changes to the Alabama Health Insurance Plan, Commissioner Bell agreed to fast-track a private program that would meet the needs of the hundreds who have lost jobs due to NAFTA.

The newest part of the Life & Health Division is the Pre-Need component. In 2002, the Legislature placed pre-need providers under the domain of the Alabama Department of Insurance.

It resulted in more than 350 pre-need providers earning certificates of authority. It also resulted in two entities going into receivership.

One of those was the historic Oakwood Annex Cemetery in Montgomery – known widely as the final resting place for country music legend Hank Williams.

In September, a regulation to accompany the Pre-Need law was adopted, which will assist the Department in regulating the industry.

"There aren't many times in life that are more traumatic than with the loss of a loved one," Commissioner Bell said. "If a person pays for pre-need services, then they need to have the confidence that the provider is solvent and ready to keep up their end of the bargain."

## Producer Licensing Division

# New technology results in more licensed producers

One of the major aims of the Producer Licensing Division has been to increase the use of technology.

It's paying dividends. With the ability to renew licenses online, the state took in more renewals than ever before in calendar year 2003 — 49,902.

It was also a good year for new licenses. There are two reasons why. For Alabama residents, the creation of six new testing sites meant greater access to take the producer licensing exam.

For non-residents, Alabama joined the National License Registry program, which allows the pro-

ducers licensed in other states the ability to obtain a non-resident license online.

"We are still creating the culture that all licensing work is done online," Commissioner Walter A. Bell said, "but clearly, greater access has resulted in more people becoming licensed and renewing their licenses."

*(Note: For more information, see the Financial Data beginning on Page 13)*

The Producer Licensing Division has also been the main beneficiary of the Department's Document Imaging program.

Now that archived documents

are being transferred to digital images because of the Intellivue System, more than a million pieces of paper have been removed from the Department's care.

"We are saving administrative costs and personnel costs," Commissioner Bell said.

And it will only get better. We are using our people and our resources more wisely. Our goal is to be as paperless as possible."

Another success for the Division was its quick response to temporary adjusters who came to the state in the aftermath of Hurricane Ivan.

## Continued from Page 6

annual review by the Sunset Committee. Because the Committee noted significant progress by the Department in recent years, it

was moved to biennial review.

"We hope to get to a four-year review period in 2006," Commissioner Walter A. Bell said. "But we are delighted the Sunset Committee and the full Legislature has

recognized the hard work by our team."

In 2005, the Department will have an agenda that will focus on three items.

"With all the competing interests at the Legislature, we've decided to narrow our focus a little bit," Commissioner Bell said.

Two bills share top priority, Commissioner Bell says.

The first one is a licensing reform bill that would change the license renewal system from annual to biennial.

"We all get our driver's licenses for multiple years," he said. "Why not the same for insurance licenses? We have continuing education requirements, so it's not like they get a license and we don't keep track of them for two years."

The bill would also adjust certain fees — raising some, but providing discounts for others.

The second priority bill is the Interstate Compact, a national effort to head off the federal takeover of insurance regulation.

"This legislation provides a way for the states to continue to regulate insurance in a way that provides consumers and companies the uniformity they desire," Commissioner Bell said.

This legislation has been a major emphasis for Commissioner Bell, who heads the Speed-to-

Market Task Force for the National Association of Insurance Commissioners.

"State-based regulation ensures a steady revenue stream for our General Fund," he said. "Also, I believe government that governs closest to the people governs best."

"We want to be sure insurance is regulated in Montgomery and not Washington, D.C."

The Interstate Compact legislation has passed the House of Representatives twice under the sponsorship of Rep. James Buskey of Mobile, but has stalled in the Senate.

Another piece of Legislature the Department will push is a bill to bring the state in line with HIPAA requirements.

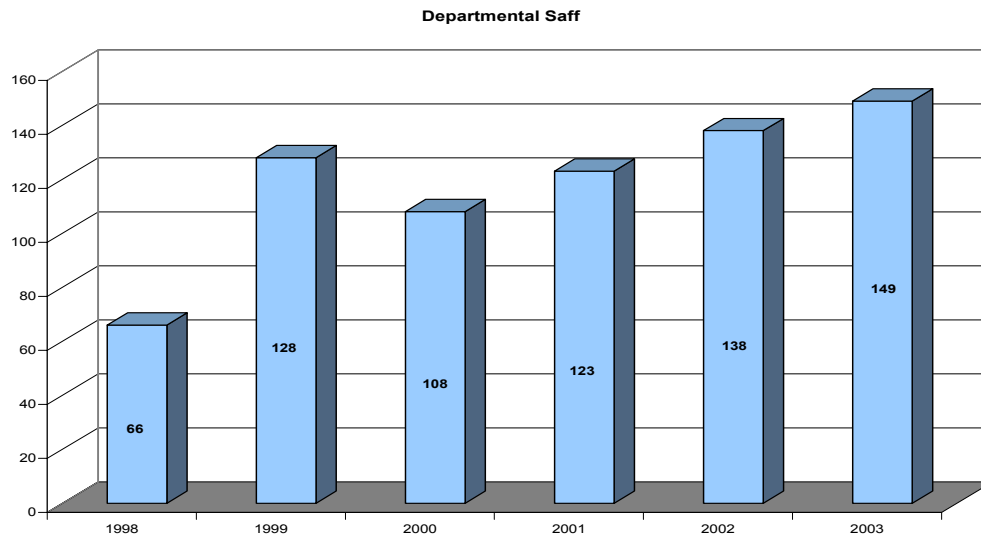
"This is a non-controversial bill that needs to pass," Commissioner Bell said.

"I believe that it will, and hopefully it will not be lost in the mass of legislation that is introduced."



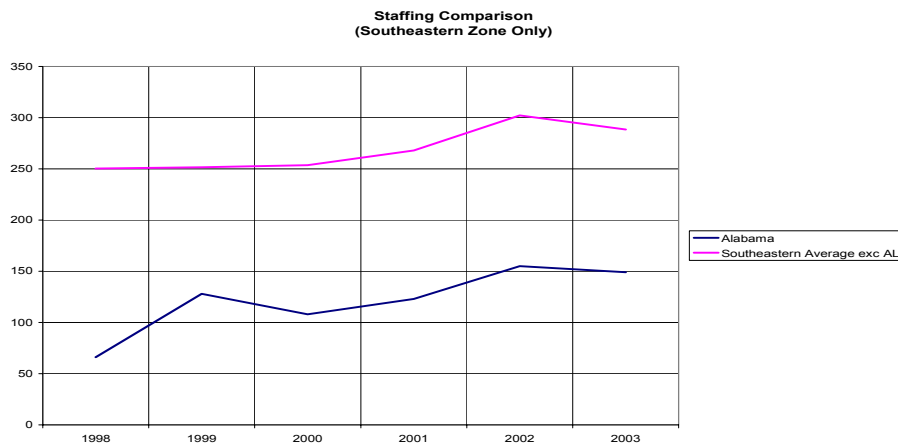
**Rep. James Buskey**

## DEPARTMENTAL STATISTICS



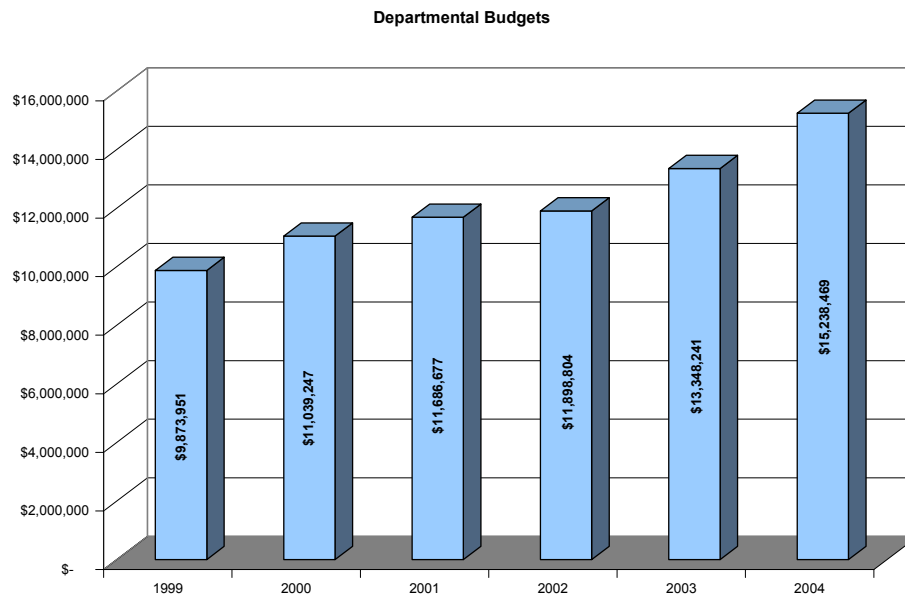
Alabama's Department of Insurance continues to be understaffed when compared to the size of the industry they are charged with regulating. This is a problem that was noted in the previous report and a consistent issue discussed in Sunset Reviews conducted by the Examiners of Public Accounts. Efforts to rectify this problem have resulted in an average annual increase in staffing of 22% from 1999 to 2003 which is a 4% reduction from the previous year's average of 26%. This rate of growth, while significant, is artificially inflated due to a 94% spike in staffing experienced in 1999 relating to the filling of a number of vacant positions. Even with this spike, staffing continues to be an issue within certain divisions of the Department. A comparison of the Department's 2003 staffing level with the National Association of Insurance Commissioner's (NAIC) 2003 Southeastern Zone average indicated that the Department's level was 45% below the zone average of 270 employees.

*Source: NAIC Insurance Department Resources Report*

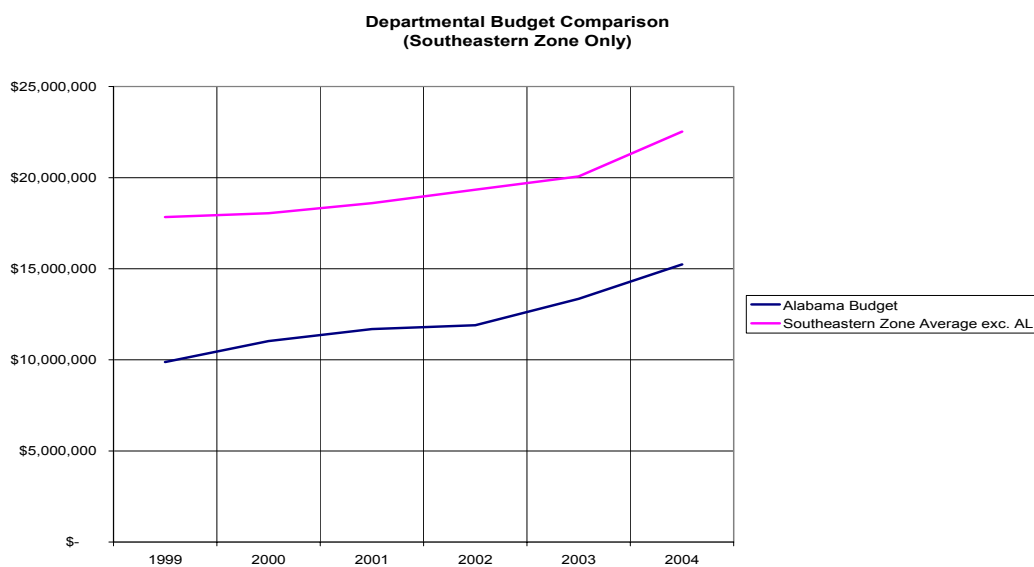


### Budget

The Department's budget has experienced a 9% average annual rate of growth since 1999. The primary factors driving this growth have been increased personnel and benefit costs associated with the staffing increases previously noted as well as technological advancements aimed at improving the Department's ability to serve both the citizens of the State of Alabama as well as Alabama's insurance industry.

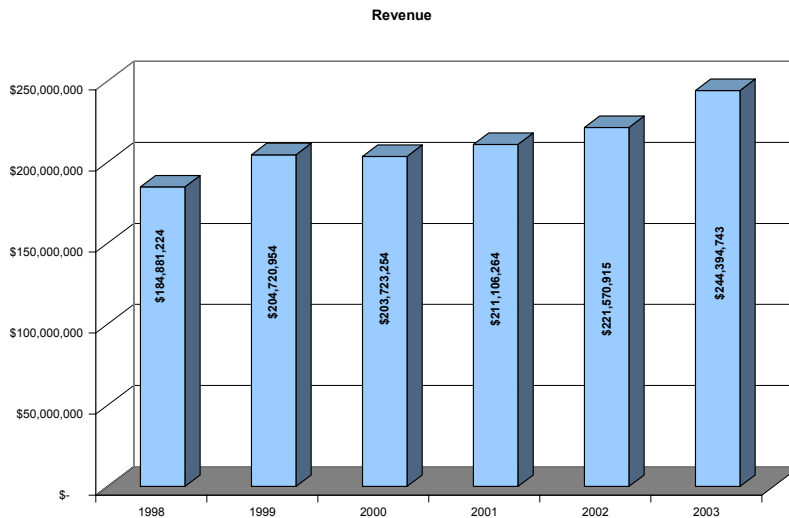


Despite this rate of growth the Department's budget remained well below the Southeastern Zone average from 1999 to 2004.

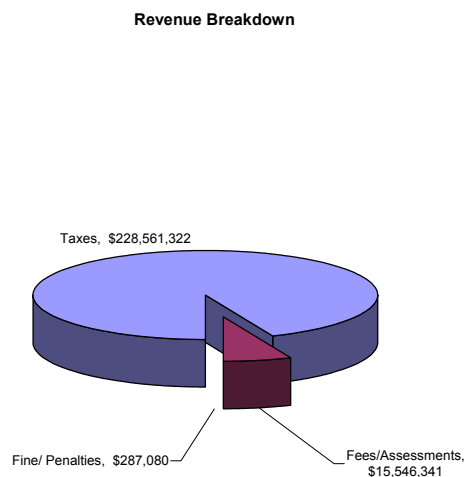


Source: NAIC Insurance Department Resources Report

In the years from 1998 to 2003 the amount of revenue generated by the Department has experienced a 6% average annual rate of growth. The bulk of this revenue is tied to the insurance premium taxes imposed by Title 27, Chapter 4A of the Code of Alabama 1975. As a result, the average growth in revenue experienced by the Department is consistent with the average growth in premium volume for the industry.



According to the annual report of the Examiner of Public Accounts, insurance premium taxes account for 1.6 percent of the state's \$6.2 billion in tax revenue. It is the largest contributor to the General Fund, and fifth-largest source of tax revenue overall.



The revenue generated by the insurance premium tax during the 2002/2003 Fiscal Year was allocated as follows.

General Fund  
\$196,980,372

ETF  
\$ 31,723,317

Mental Health Fund  
\$ 4,525,338

Insurance Dept. Fund  
\$ 1,832,324

**Total**  
**\$235,061,351**

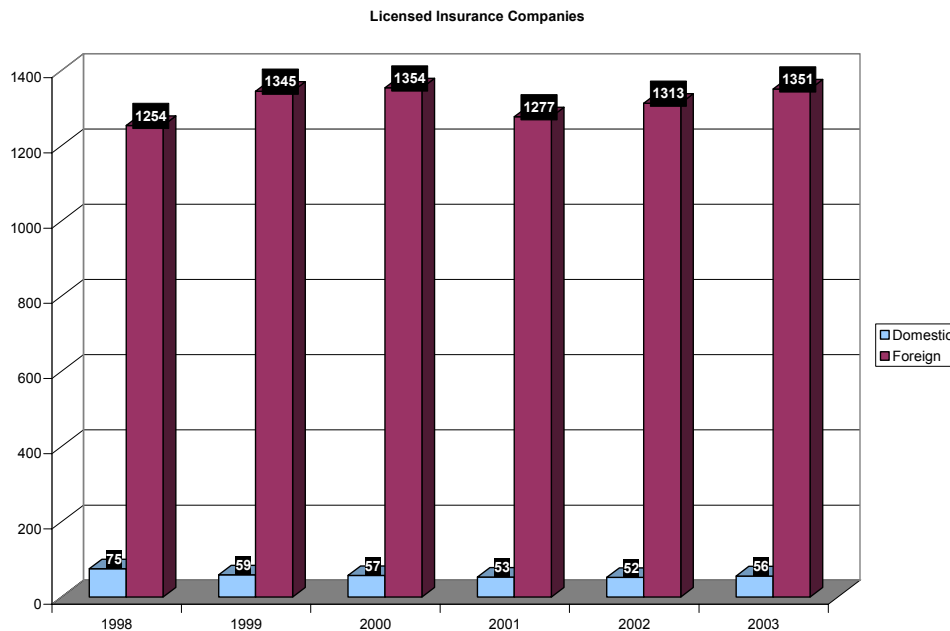
**NOTE:** The disparity between the amount of taxes reported by the Department and the Examiners of Public Accounts relates to the collection of additional taxes as a result of audits and/or late filings.

The Department also generates additional revenue through the collection of various fees. These fees resulted in \$3,664,646 of additional revenue for the fiscal year-ended September 30, 2003.

## INDUSTRY STATISTICS

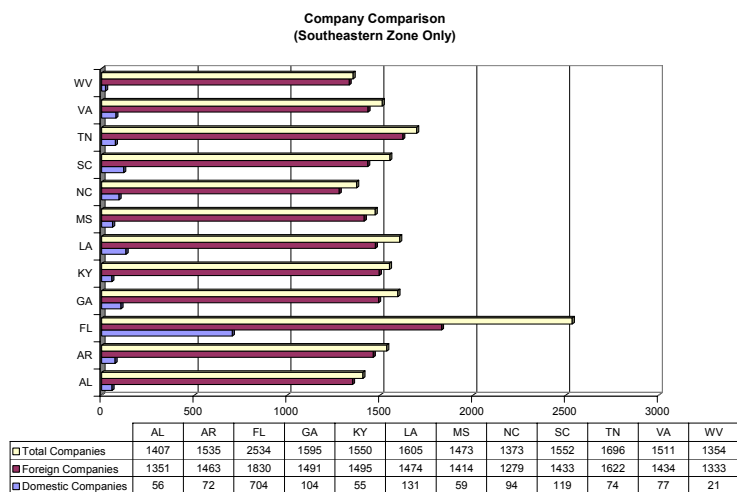
### Number of Companies

Prior to 2003 the number of Alabama domestic insurance companies had been experiencing a trend of deterioration. This trend ended in 2003 with the introduction of four new companies.



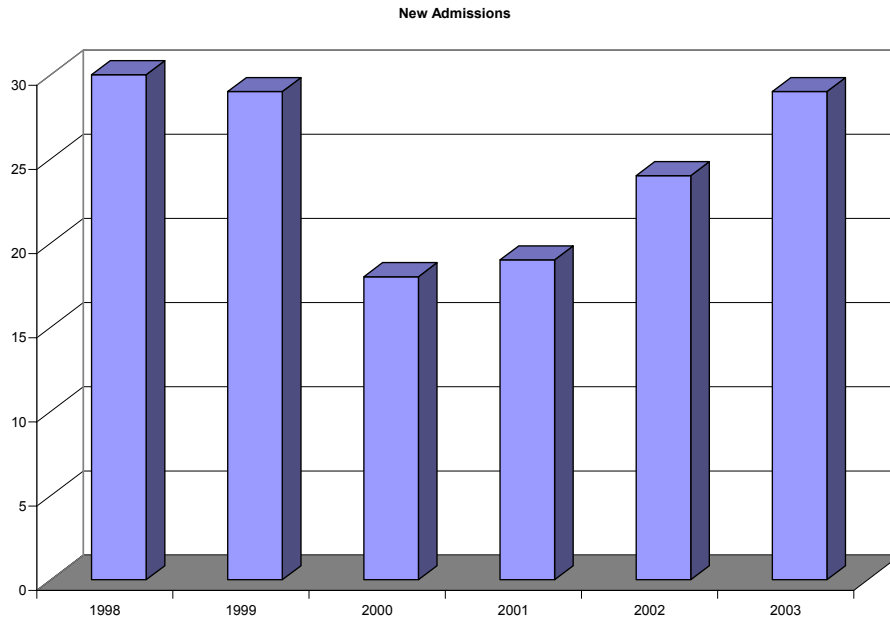
Past deterioration had been attributed to Alabama's premium tax structure and its retaliatory provisions. The Alabama Insurance Code, like that of most other states, has a retaliatory provision aimed at protecting the domestic industry that transacts business in other states from discriminatory or onerous requirements imposed by those states.

Until recently, the application of this provision to premium taxes resulted in an increased tax burden on Alabama domestic insurers conducting business in other states since the tax rate of time, 3.6%, was one of the highest in the nation. Recent rate reductions and the introduction of

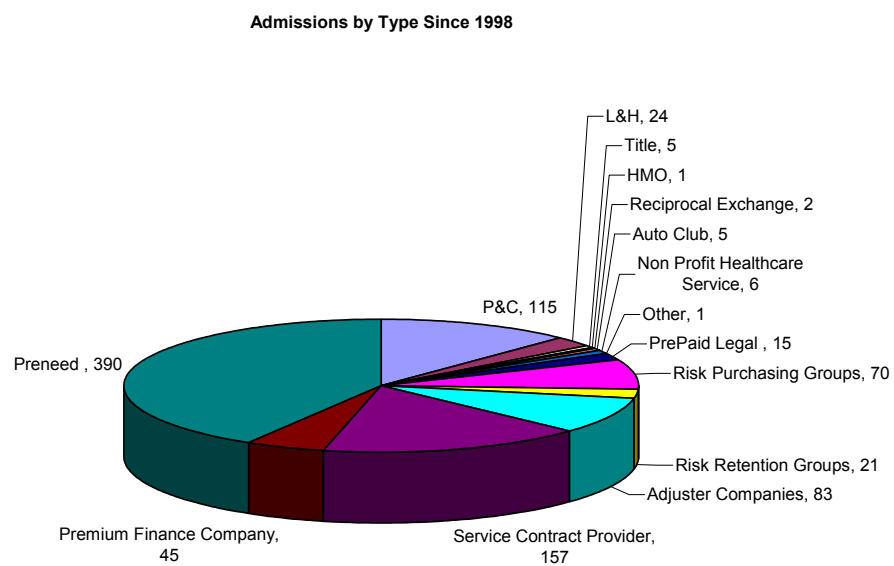


new credits have lessened the impact of the retaliatory provision. These changes and other market factors are the primary basis for the increase. As a result of these changes and the related increase in companies, Alabama's ranking within the Southeastern Zone increased one spot to 10<sup>th</sup> place in 2003 in terms of both domestic and licensed insurance companies. Unfortunately, this ranking remains near the bottom as the Southeastern Zone is comprised of twelve states.

Despite the impact of the premium tax structure Alabama continues to attract new insurers.



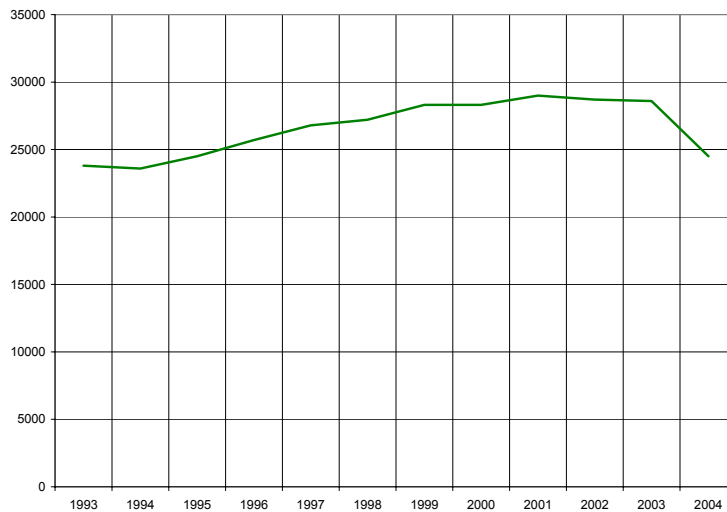
Since 1998, 940 new insurance and insurance related companies have been licensed in the State of Alabama. The breakdown of these companies by type is as follows.



### Employment

According to the most recent data available from the U.S. Census Bureau, Alabama had a population of 4,447,100 as of April 1, 2000, 1,863,386 of which were employed. As of this same date the U.S. Department of Labor's Bureau of Labor Statistics (BLS) estimated that insurance carriers and related activities in the State accounted for 28,600 of the 1,863,386 individuals then employed. More recent figures released by the BLS indicate that the industry employment has declined 14% since the Census to 24,500.

Alabama Insurance Industry Employment, 1993- June 2004



Source: U.S. Department of Labor, Bureau of Labor Statistics

Prior to the current year, the data provided by the BLS reflected a steady increase in the number of individuals employed by insurance industry over the past ten years.

Departmental data, which is significantly greater than the estimates by the BLS, reflect the following levels of industry employment for the categories listed.

**NOTE:** The following figures may contain duplications due to the use of captive employees for the listed services as opposed to independent contractors.

### Adjusters

	2003	2002	2001	2000	1999
NEW	759	432	513	342	422
RENEWED	1473	1399	1304	N/A	N/A

### Surplus Lines Brokers

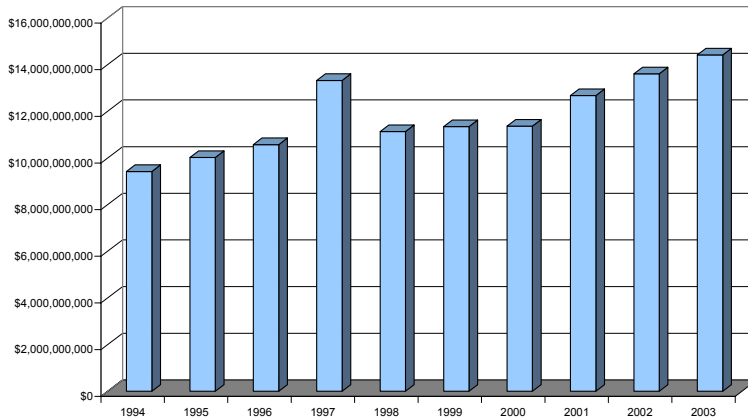
	2003	2002	2001	2000	1999
NEW	117	79	41	23	25
RENEWED	258	256	239	N/A	N/A

### Producers

	2003	2002	2001	2000	1999
NEW	16483	9201	15361	11916	10820
RENEWED	49902	29299	35002	N/A	N/A

## Premium Volume

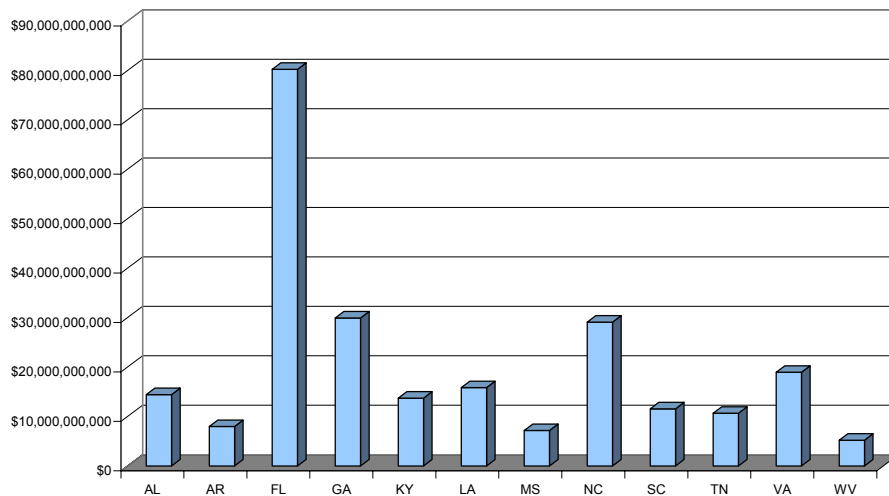
Aggregate Direct Premiums Written  
(All company types and lines)



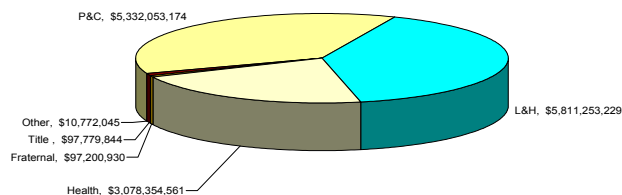
Premium writings in Alabama continued to trend upward in 2003.

This growth trend, with the exception of a spike in 1997 relating to volume and rate increases for foreign casualty insurers, has averaged 5% per year. This rate of growth is slightly below the Southeastern Zone average of 7%.

Premium Volume Comparison  
(Southeastern Zone Only)



Premium by Type of Insurer



Property & Casualty companies (37%) and Life & Health companies (40%) accounted for 77% of the licensed premium written in the State of Alabama during 2003.

### Premium Aggregates

#### Alabama Property & Casualty Aggregate Premiums and Losses By Line of Business Business During the Year 2003 \$(000's) Omitted

Line of Business	Domestic			Foreign		
	Direct Premiums Written	Direct Premiums Earned	Direct Losses Incurred	Direct Premiums Written	Direct Premiums Earned	Direct Losses Incurred
Aggregate write-ins for other lines of business	\$0	\$0	\$0	\$39,787	\$35,394	\$18,682
Aircraft (all perils)	\$0	\$0	\$0	\$22,223	\$23,279	\$35,202
All other A&H	\$0	\$0	\$0	\$2,872	\$2,607	\$1,983
Allied lines	\$8,954	\$8,415	\$4,504	\$77,538	\$75,573	(\$9,344)
Boiler and machinery	\$0	\$0	\$0	\$19,026	\$18,652	\$7,735
Burglary and theft	\$39	\$39	\$12	\$1,218	\$1,205	\$282
Collectively renewable A&H	\$0	\$0	\$0	\$2	\$2	\$4
Commercial auto no-fault (personal injury protection)	\$0	\$0	\$0	\$1	\$0	\$34
Commercial auto physical damage	\$1,276	\$1,231	\$635	\$113,481	\$113,134	\$62,996
Commercial multiple peril (liability portion)	\$30,601	\$28,547	\$11,661	\$164,495	\$155,039	\$81,794
Commercial multiple peril (non-liability portion)	\$27,788	\$25,559	\$14,761	\$260,948	\$251,882	\$156,513
Credit	\$79	\$87	(\$7)	\$14,354	\$7,779	\$4,747
Credit A&H (group and individual)	\$0	\$0	\$0	\$7,376	\$7,307	\$1,464
Earthquake	\$0	\$0	\$0	\$4,938	\$4,839	(\$96)
Farmowners multiple peril	\$36,497	\$35,245	\$29,440	\$44,423	\$42,975	\$35,371
Federal employees health benefits program premium	\$0	\$0	\$0	\$0	\$0	\$0
Federal flood	\$0	\$0	\$0	\$14,334	\$14,121	\$12,665
Fidelity	\$0	\$0	\$0	\$13,797	\$13,752	\$4,957
Financial guaranty	\$0	\$0	\$0	\$51,906	\$24,648	(\$1)
Fire	\$29,325	\$28,911	\$16,578	\$116,021	\$116,583	\$44,292
Group accident and health	\$0	\$0	\$0	\$33,548	\$33,887	\$21,713
Guaranteed renewable A&H	\$0	\$0	\$0	\$9,147	\$5,617	\$4,355
Homeowners multiple peril	\$177,952	\$168,696	\$136,656	\$808,765	\$768,517	\$507,333
Inland marine	\$6,520	\$6,292	\$1,926	\$153,212	\$151,927	\$80,858
Medical malpractice	\$106,469	\$97,423	(\$2,926)	\$135,752	\$125,399	\$15,560
Mortgage guaranty	\$0	\$0	\$0	\$60,027	\$57,829	\$27,560
Multiple peril crop	\$0	\$0	\$0	\$27,542	\$26,961	\$18,485
Non-cancelable A&H	\$0	\$0	\$0	\$0	\$0	\$0
Non-renewable for stated reasons only	\$0	\$0	\$0	\$3,562	\$3,715	\$2,152
Ocean marine	\$1,273	\$1,243	\$380	\$23,952	\$24,158	\$9,612
Other accident only	\$460	\$455	\$310	\$1,696	\$1,744	\$1,090
Other commercial auto liability	\$3,678	\$3,450	\$1,294	\$305,335	\$297,959	\$199,296
Other liability	\$14,850	\$14,093	\$12,933	\$397,209	\$371,388	\$377,506
Other private passenger auto liability	\$230,872	\$227,597	\$148,815	\$1,085,655	\$1,069,514	\$681,195
Private passenger auto no-fault (personal injury protection)	\$0	\$0	\$0	\$0	\$0	\$638
Private passenger auto physical damage	\$218,228	\$218,182	\$135,180	\$970,131	\$965,815	\$593,075
Products liability	\$0	\$0	\$0	\$25,142	\$29,660	\$41,925
Surety	\$229	\$207	(\$123)	\$46,565	\$45,495	\$30,825
Workers' compensation	\$5,175	\$4,995	\$5,304	\$288,274	\$296,542	\$252,156
<b>Total for Lines of Business</b>	<b>\$900,265</b>	<b>\$870,667</b>	<b>\$517,341</b>	<b>\$5,344,269</b>	<b>\$5,184,898</b>	<b>\$3,324,231</b>

**Alabama Life & Health Aggregate Premiums By Product Type  
Business During The Year 2003**

**LIFE**

	Ordinary	Credit	Group	Industrial
Life Premiums	\$ 1,400,494,651	\$ 24,946,089	\$ 407,252,692	\$ 4,254,166
Annuity Considerations	\$ 1,431,818,859	\$ -	\$ 641,406,150	\$ -
Deposit Type Contracts	\$ 29,615,690	\$ -	\$ 257,512,714	\$ -
Other	\$ 429,386,282	\$ 3,000	\$ 281,216,137	\$ -
<b>Total</b>	<b>\$ 3,291,315,482</b>	<b>\$ 24,949,089</b>	<b>\$ 1,587,387,693</b>	<b>\$ 4,254,166</b>

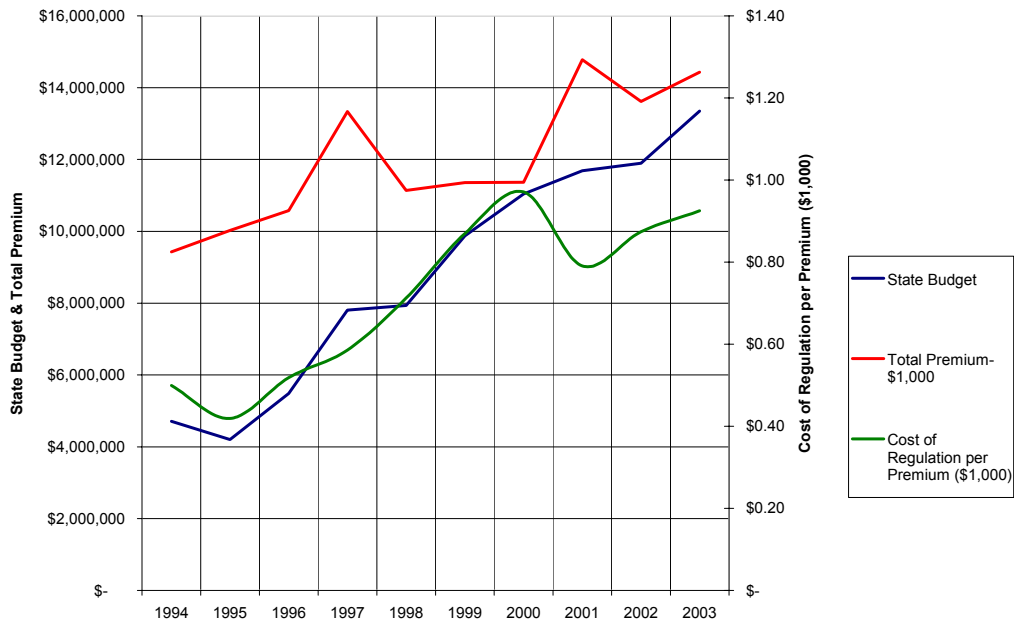
**ACCIDENT & HEALTH**

	Direct Premiums
Group Policies	\$ 474,624,196
Federal Employees Health Benefits Program	\$ 7,887,098
Credit	\$ 22,041,724
Collectively Renewable	\$ 776,258
Other	\$ 399,199,830
<b>Total</b>	<b>\$ 904,529,106</b>

**Cost of Regulation**

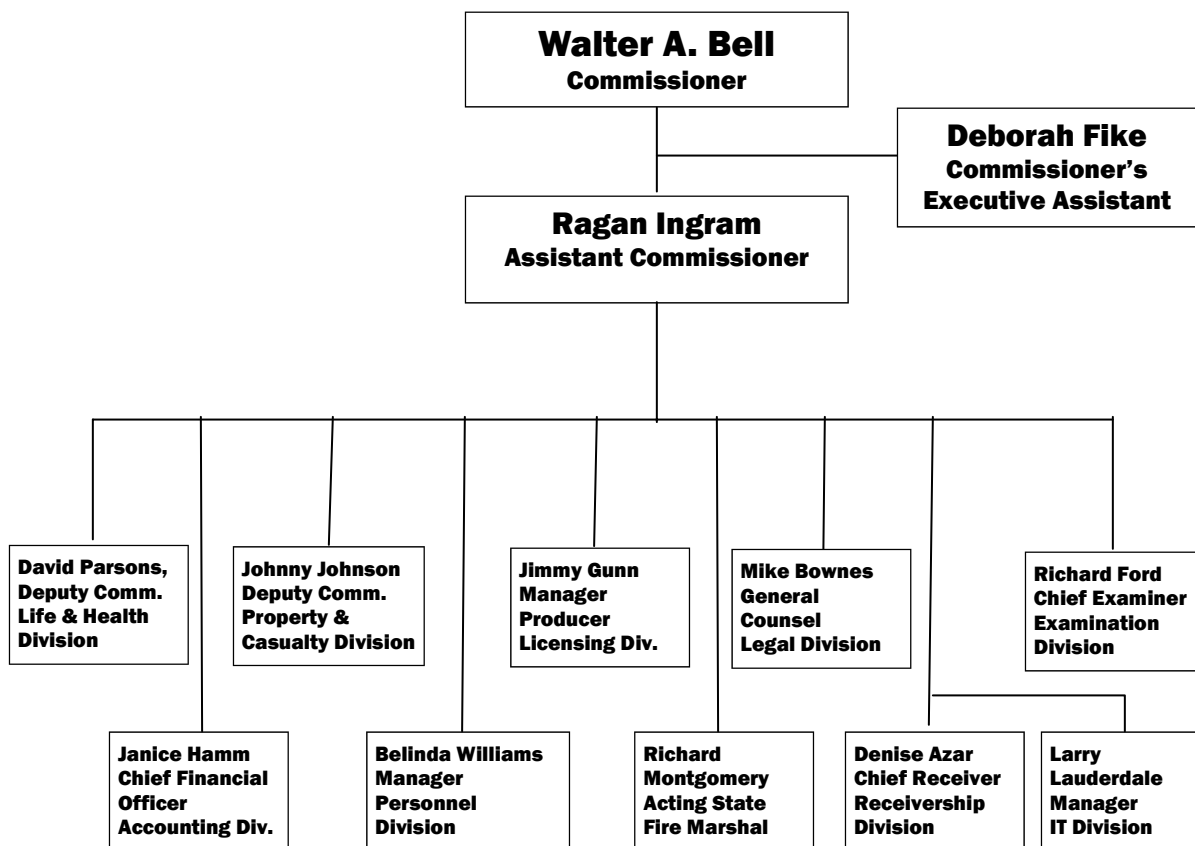
The cost of regulation, in its most basic form, is a comparison of the Department's annual budget to the amount of premium written in the State.

**Cost of Regulation, 1994- 2003**



While increasing since 1994, Alabama's cost of regulation per \$1,000 of premium written of \$.93 has yet to exceed the Southeastern Zone average of \$1.04. In fact, Alabama's cost of regulation per \$1,000 of written premium for 2003 ranked 7<sup>th</sup> out of the twelve Southeastern Zone states.

## ALDOI ORGANIZATIONAL CHART



### ALDOI Contact Numbers

Main Number  
334-269-3550

Life & Health  
334-241-4141

Receivership  
334-240-7560

Toll-Free  
800-433-3966

Property & Casualty  
334-241-4145

Information Technology  
334-241-4113

Commissioner Bell  
334-241-4101

Producer Licensing  
334-241-4191

State Fire Marshal  
334-241-4166

Legal  
334-241-4117

Examination  
334-241-4151

Email:  
[insdept@insurance.state.al.us](mailto:insdept@insurance.state.al.us)